

POLICY ALTERNATIVES FOR DUAL ELIGIBLES

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NATIONAL ACADEMY
for STATE HEALTH POLICY

Policy Goals Shape Options

- Integrated care delivery
- Integrated benefit package
- Coordinated and integrated payment methods
- Eliminate cost shifting incentives across programs; promote effective investments
- Effective use of clinical data
- Clear choices for consumers
- Consistent consumer protections

Policy Goals Shape Options

SAVE \$\$

Finding a Solution is Hard

- **Culture clash:**
 - Delivery system focus v. payment focus
 - Entitlements v. capped programs
 - Freedom of choice v. limited choice
 - Medicare demonstrations v. Medicaid waivers
 - Taking something away from the most vulnerable v. giving the most vulnerable what they need

Options

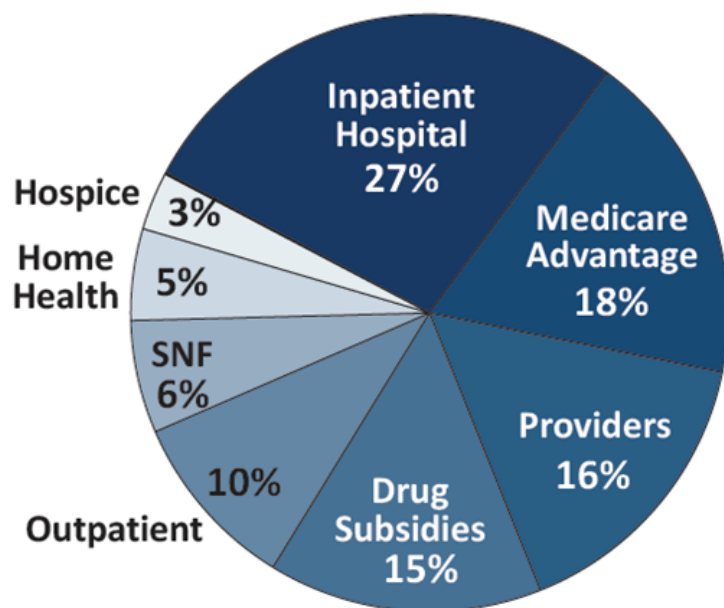
1. Have Medicare administer the Medicaid benefits for duals
2. Have Medicaid administer the Medicare benefit for duals
3. Create a new, unified program
4. Use waiver and demonstration authority

Problems with Options 1 & 2

- Joint administration does not harmonize the programs
- OPM (Other People's Money)
- Duals are high cost in both programs, but for different reasons

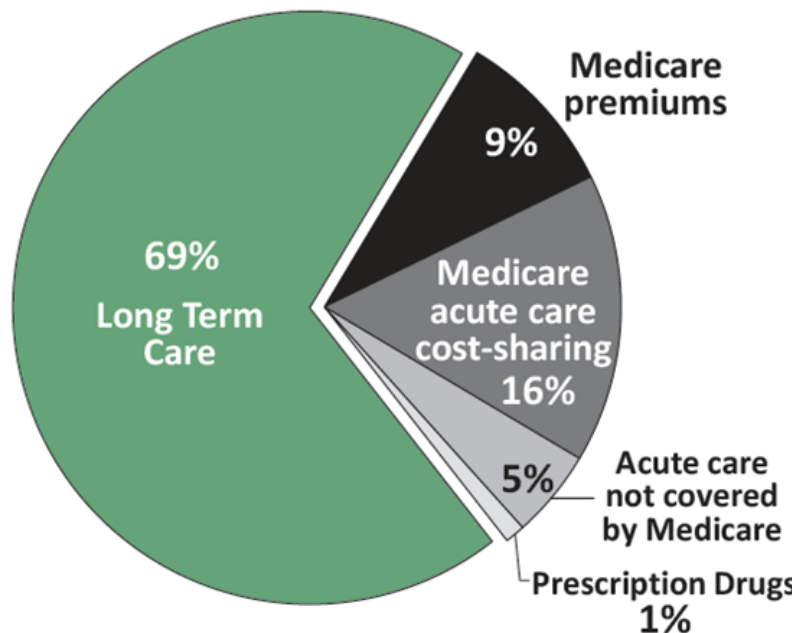
Hospitalizations and long-term care are the largest components of Medicare and Medicaid spending for dual eligibles

Distribution of Medicare Spending for Dual Eligibles, by Service



Total Medicare Spending: \$132 Billion

Distribution of Medicaid Spending for Dual Eligibles, by Service



Total Medicaid Spending: \$129 Billion

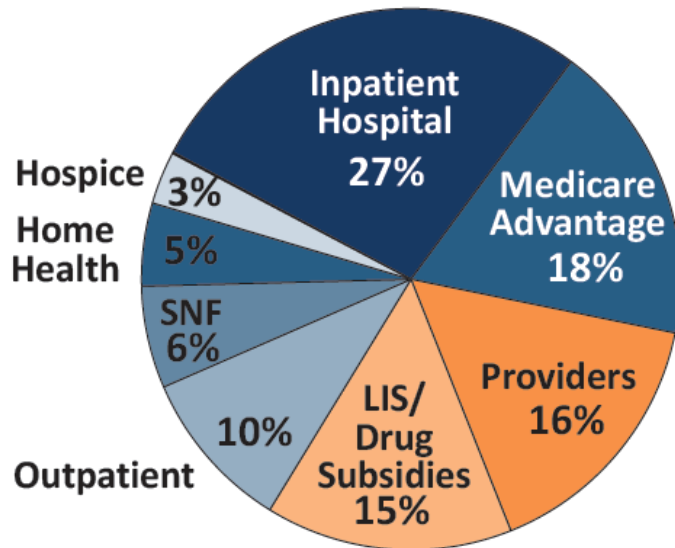
NOTES: Home health and dental services comprise less than 1% of Medicaid spending. Payments to facilities comprise less than 1% of Medicare spending. Medicare premiums paid by Medicaid also includes cost-sharing for Qualified Medicare Beneficiaries only. Medicare Advantage payments are for Part A and B services only. Prescription drug subsidy payments include both the federal direct subsidy and the low income subsidy (LIS) payments.

SOURCE: Kaiser Family Foundation analysis of the CMS Medicare Current Beneficiary Survey Cost and Use File, 2008, and Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY2008 MSIS and CMS Form-64.



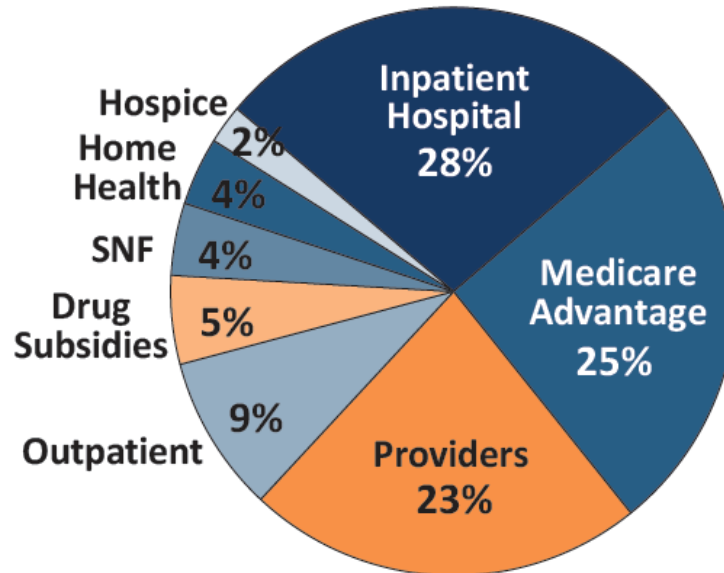
The distribution of Medicare spending by type of service is similar for dual eligibles and other beneficiaries

Distribution of Spending for Dual Eligibles, by Service



Average Spending Per Dual Eligible: \$14,169

Distribution of Spending for Other Beneficiaries, by Service



Average Spending Per Other Beneficiaries: \$7,933

NOTE: Prescription drug subsidy payments include both the federal direct subsidy and the low income subsidy (LIS) payments. Payments to facilities comprise less than 1% of Medicare spending. Medicare Advantage payments are for Part A and B services only.

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey Cost & Use File, 2008.



Problems with Options 1 & 2

- Joint administration does not harmonize the programs
- OPM (Other People's Money)
- Duals are high cost in both programs, but for different reasons
- **Competencies differ**

Problem with Option 3

- Conceptual agreement on the need to harmonize the programs does not translate into agreement on the terms of that harmonization
- Or ... if there is so much push back on Option 4, how could you possibly do Option 3?

Status Report on Option 4

- **Capitated Managed Care**
 - 17 state applications
- **Managed Fee-for-Service**
 - 6 state applications
- **Both**
 - 2 state applications
- **One state approved: Massachusetts**

To Move Forward

- Move beyond predictable narratives
- Understand the power and limitations of choice
- Radically reorient the system toward prevention
- Really engage consumers
- Build improvement into our expectations
- Have some humility

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